

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the
Commission's Future Energy Efficiency Policies,
Administration, and Programs.

Rulemaking 01-08-028
(Filed August 23, 2001)

**ADMINISTRATIVE LAW JUDGE'S RULING APPROVING THE PROGRAM
IMPLEMENTATION PLAN OF THE CITY OF SAN FRANCISCO AND
PACIFIC GAS AND ELECTRIC COMPANY**

Pacific Gas and Electric Company (PG&E) and the City of San Francisco (CCSF) have submitted a program implementation plan (PIP) describing the budget and elements they propose for an energy efficiency pilot program. The PIP is submitted pursuant to Decision (D.) 03-04-055, in which the Commission granted the request of PG&E and the CCSF to spend \$16.3 million on energy efficiency programs in San Francisco. This ruling approves the PIP with certain conditions.

Background

On June 10, 2003, PG&E and the CCSF submitted their PIP for implementing the programs approved in D.03-04-055. Women's Energy Matters (WEM), Greenaction for Health Environmental Justice (Greenaction) and SESCO subsequently filed comments on the PIP. PG&E and CCSF filed replies.

WEM objected to PG&E's proposal to spend more than 30% of the \$16.3 million on administrative overhead costs. WEM also raised concerns that too much of the funding was allocated to programs serving large business customers rather than those in single family and multi-family housing.

Greenaction argues that PG&E has not previously reduced energy savings in Bayview Hunters Point. It believes CCSF has misspent energy efficiency funds in the past and suggests a community board to oversee future spending. SESCO observes that the PIP would dedicate too much of the funding to screw-in CFLs that would not necessarily be permanent, and would therefore not result in the savings the PIP projects. Like Greenaction and WEM, SESCO argues that more of the funds should go to residential customers.

CCSF responds to the parties' comments by suggesting that the goal of the program overall is to reduce peak demand so that PG&E can close the Hunter's Point Power Plant. It argues that this goal cannot be most easily met by focusing energy efficiency efforts exclusively in the Bayview Hunter's Point neighborhood. PG&E makes similar comments.

Discussion

D.03-04-055 granted PG&E's proposal to spend \$16.3 million in San Francisco in recognition that "the value of energy savings in San Francisco may be higher than in other areas of the state because of the prospect of energy shortages and the high cost of improving system reliability." It ordered PG&E to set aside \$16.3 million for San Francisco and found that San Francisco residents would still "qualify for programs not included in the Pilot." It directed PG&E to file a needs assessment and a program proposal. It also directed PG&E to include in its needs assessment "an analysis comparing the costs of proposed program elements to the costs of alternative means of improving system reliability in San Francisco."

D.03-04-055 delegated the assigned Administrative Law Judge (ALJ) the authority to approve the PIP in consultation with the Commission's energy efficiency staff experts.

Allocation to Various Types of Customers

Parties who commented on the PIP raised concerns that CCSF and PG&E would allocate too much of the funding to businesses rather than residential customers and particularly those in the Bayview Hunter's Point area. PG&E made some changes to the original proposal in response to these concerns. The modified proposal appears adequate in this regard. The Commission approved the pilot program believing that it would enhance system reliability in the San Francisco area and in ways that might permit PG&E to retire the Hunter's Point Power Plant. In order to fulfill this objective, PG&E and CCSF must maximize energy savings, which may mean targeting larger customers. The PIP is generally in compliance with the Commission's order in this regard, although some may argue that the allocation is not equitable. If parties wish to pursue this issue further, they may file a motion asking the full Commission to consider the matter. In addition, parties may seek assistance from Commission staff who manage energy efficiency programs, including programs for low income customers, to assure the residents of Bayview Hunter's Point that they will benefit from the various programs.

Incentive Levels

The incentive levels PG&E and CCSF propose for some programs are two to three times those approved by the Commission for comparable statewide programs. For example, the rebate for screw-in compact fluorescent lamps (CFLs) is 2.75 times the statewide amount. The rebate for outdoor channel signage is three times that offered to other PG&E customers.

CCSF and PG&E explain that these incentive levels will motivate customer participation. They provide no analysis, however, that such rebate levels are required. The effect of providing high rebates, of course, is that less money is

available for other energy efficiency improvements. For that reason, this ruling approves the PIP contingent on PG&E modifying the incentives to levels not to exceed 150% of those approved for comparable statewide programs (that is, a \$4 rebate may be increased to as much as \$6).

PG&E and CCSF may increase these levels after six months if and only if they can demonstrate to Commission energy efficiency staff that the incentives have not been high enough to motivate customer participation.

Reliance on CFLs

The PIP would rely heavily on installation of CFLs to meet savings targets. In order to demonstrate savings, the PIP assumes that participants will replace the CFLs several times in the coming years without rebates, and takes credit for the savings associated with these future installations. Future installations of screw-in CFLs are not assured because customers can easily replace CFLs with traditional lamps and may be motivated to do so because traditional lamps are less expensive than CFLs. (Curiously, PG&E and CCSF argue that substantial rebates are needed to motivate customers to install CFLs and also assume that customers will install them without any rebates.) The PIP's assumptions are unreasonable.

This ruling will approve the PIP contingent on modifications to it that would provide for the installation of permanent socket modifiers for at least half of the installations. For screw-in installations, the PIP must include recalculated energy savings, assuming only those savings that would occur as the result of the single (initial) installation.

Allocation of Costs to Administrative Overheads

The budget in the PIP is vague in several aspects, especially with respect to the allocation of administrative costs. It appears that these costs exceed 30%.

PG&E has not demonstrated that the overheads are reasonable. Approval of the PIP will be contingent upon PG&E amending the PIP to set administrative overheads at a level not higher than 20% of total costs. Even with this amendment, PG&E may not use energy efficiency funds to support other utility operations or double bill for administrative costs. PG&E may charge the fund only for those administrative costs that it can document. PG&E must respond timely to all data requests by Commission staff about how its budget allocates overhead, and the Commission may disallow any costs that are not appropriately billed to the account.

Needs Assessment and Cost-Effectiveness Analysis

The Commission ordered PG&E to file a needs assessment and “an analysis comparing the costs of proposed program elements to the costs of alternative means of improving system reliability in San Francisco.” PG&E did not provide such an analysis even after Commission staff requested it. The information required for this analysis is surely available. For example, PG&E and CCSF have information about small turbines proposed for installation in San Francisco. PG&E has cost estimates for other energy efficiency options and transmission line upgrades that it is planning to construct. It also has information about the cost of new generation generally.

In a letter to Energy Division staff, PG&E stated that it would not provide the analysis because “the value of any study...would be extremely limited.” Whether or not this is correct, PG&E may not ignore a Commission order on this basis. This ruling directs PG&E to provide the analysis required by the Commission no later than September 15, 2003. If the Commission does not receive the cost-effectiveness analysis by that date, the Commission may consider PG&E’s failure to comply with D.03-04-055 in a formal decision. If PG&E must

use confidential information for this analysis, it may redact relevant portions of its analysis and submit the confidential material under seal to Energy Division energy efficiency staff and the assigned ALJ.

IT IS RULED that:

1. The Program Implementation Plan (PIP) submitted for the City of San Francisco's (CCSF) Pilot Energy Efficiency Program is approved subject to the amendments addressed herein:

- Incentive levels shall not exceed 150% of those approved for Pacific General Electric Company's (PG&E) comparable statewide programs until and unless PG&E can demonstrate to Energy Division staff that higher levels are required to motivate customer participation;
- For screw-in compact fluorescent lamps (CFLs), cost-effectiveness estimates may assume only those energy savings associated with installations made by PG&E and CCSF;
- PG&E and CCSF shall modify the PIP to include installations of permanent socket modifiers for at least half of the CFLs they intend to install;
- Administrative overheads may not exceed 20% and all related administrative costs must be actual and accounted for.

2. PG&E shall submit the cost-effectiveness analysis required by Decision 03-04-055 no later than September 15, 2003.

Dated August 20, 2003, at San Francisco, California.

/s/ KIM MALCOLM

Kim Malcolm
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Approving the Program Implementation Plan of the City of San Francisco and Pacific Gas and Electric Company on all parties of record in this proceeding or their attorneys of record.

Dated August 20, 2003, at San Francisco, California.

/s/ HELEN FRIEDMAN
Helen Friedman

N O T I C E

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